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Participation in a Small Archipelago: the Shetland negotiations

James Mitchell

Before the oil

Shetland lies 700 miles north of London, 300 miles north of Edinburgh and is 200 miles from Bergen. The islands are about 100 miles long and 35 miles across at the widest point. Their history has been “interpreted as a succession of peoples who came by sea, who settled and built up a way of life only to have it replaced by the culture of new arrivals.”¹ While other communities had similar experiences, Shetland’s unique experience relates to its geography lying at the crossroads between Scandinavia and the British isles. This history and its remoteness give rise to its cultural, economic and political distinctiveness. As a report commissioned by Shetland Islands Council noted in 1978, “Shetland is different... It should be said that this difference is first one of perception. Shetlanders see themselves as different, as a unique contained historic community. This perception is supported by geography and history. Shetland is remote.”² This difference has also been evident in its politics. Orkney and Shetland returned Jo Grimond one of only 12 Liberal MPs across the UK in 1950. In the 1975 referendum on European Economic Community membership, Shetland and the Western Isles were the only two local authorities in the UK to vote against membership.

Shetland’s population had been in long-term decline before oil was discovered and stood at 17,567 at the 1971 census compared with over 30,000 a century before. In 1971, Shetland consisted of around 25 inhabited islands ranging from the Shetland mainland with just under 6,000 people to Trondra with twenty people. Each community was different and providing public services, including transport, was challenging. By the late 1960s, its economy was heavily dependent on external support from UK central government. Fishing and fish processing provided about thirty percent of employment and twenty percent of Shetland’s income and about ninety-five percent of the land was suitable for rough grazing for sheep farming. These industries along with knitwear were the staples of islands’ economy.³

As far back as 1953, an academic study had concluded that the islands were “balancing on the knife-edge between solvency and insolvency.”⁴ One author noted a “symptom of Shetland’s decline was the stress placed on education; for education was not designed to equip school-leavers to live and work successfully within the islands: it was regarded as a passport to a good job the British mainland. The lack of opportunity at home was reflected in the scores of young people who lined the rails of the passenger vessel *St Clair* on her twice weekly trip to Aberdeen.”⁵ However there was a view that by the early 1970s Shetland

¹ James Nicolson, *Shetland and Oil* (London, William Luscombe, 1975) 28.

² Baron Kilbrandon and the Nevis Institute, *The Shetland Report, a Constitutional Study Prepared for the Shetland Islands Council by The Nevis Institute under the Chairmanship of Lord Kilbrandon* (Edinburgh, Nevis Institute, 1978), 19.

³ I. H. McNicoll and G. Walker, *The Shetland Economy 1976/77: Structure and Performance*, Unpublished Report (Edinburgh: Department of Business Studies, Edinburgh University, 1978) quoted in Kilbrandon, *The Shetland Report*, 22.

⁴ Thelma Blance, “The Economy of Shetland, 1930-52” (MA diss., Aberdeen University, 1953).

⁵ James Nicolson, *Shetland and Oil*, 39.

had turned a corner. With the support of the Highlands and Islands Development Board, as a government regeneration agency established in 1965, the Islands had seen its population stabilize and new fish processing and knitwear factories has been set up.

A major overhaul of the system of local government was initiated in the 1960s. A Royal Commission (Wheatley) recommended that Shetland should be incorporated into Highland Region, a huge area with Inverness as the administrative centre lying almost 300 miles away across the North Sea and much of the Highlands. Shetlanders opposed the move seeing it as leaving the islands on the remote periphery of what they perceived would be a massive proposed new entity – 275 miles across sea and land separated Lerwick from Inverness, the proposed seat of Highland Council - and campaigned against inclusion. There were salutary lessons that would be useful in later campaigns. As one of the key local figures later explained, “For reasons of the Wheatley exercise, and others... we began in Shetland to understand the power of the media – press, radio and TV – and to develop some ability at least in this form of communication.”⁶ This was the era when small units of government were deemed unviable but the campaign by Shetlanders paid off. A new two tier system of local government across Scotland was created with smaller District Councils and larger Regional Councils but a degree of continuity occurred when Westminster bowed to pressure to allow Shetland, along with two other island archipelagoes, to be retained as an island authority with a largely undisturbed range of responsibilities. Lerwick Town Council was merged into Shetland County Council to form Shetland Islands Council in 1975.

Opportunities, threats and choices

In 1967, oil and gas were discovered in the Norwegian sector of the North Sea. This raised the possibility of similar finds in the UK sector. Shetland would be the nearest landfall for a large part of potential oil development. In 1971, Shell/Esso made a major oil discovery in the East Shetland basin – the Brent field – but only disclosed this in August 1972. Business confidentiality and the desire to have time to make preparations were likely explanations for withholding this discovery. Subsequent discoveries meant that Shetland would indeed become crucial to oil development and the islands’ economy and society would be transformed.

Oil companies and the UK Government saw the North Sea as offering great opportunities. North Sea oil wealth was impossible to calculate precisely, not least as new fields kept being discovered, fluctuating oil prices and the engineering challenges made costs of and profits from extraction uncertain. Geopolitical developments resulted in oil prices quadrupling over the winter of 1973/74. The National Union of Mineworkers (NUM) had gone on strike in 1972 and 1974 adding to the UK Government’s energy crisis. The UK had serious balance of payments problems made worse by the need to import oil. In April 1974, the Scottish Secretary wrote to Prime Minister Harold Wilson, who had been returned as Prime Minister in February to head a Labour Government, and noted that the Shetland developments were “extremely important for our oil supplies” with forecasts suggesting that the equivalent of

⁶ Edward Thomason, “Shetland in the Seventies: A Shetlander’s View of Oil,” in *Scandinavian Shetland: An Ongoing Tradition?* ed. John R Baldwin (Edinburgh, Scottish Society of Northern Studies, 1978), 44.

the UK's total consumption of oil would be coming ashore in Shetland by 1982.⁷ Adding to the pressure, the Scottish National Party (SNP) won seven seats in the February 1974 election and went on to win a further four in October's election. Lying in second place across much of the rest of Scotland, the SNP posed a major electoral threat with possibility of Scotland breaking away as an independent state controlling oil in the North Sea.

The need for oil was not just related to the UK's energy needs. There were serious structural problems in the economy that were becoming increasingly obvious around this time culminating in a major crisis in the mid-1970s. In 1976, Prime Minister Jim Callaghan had to go cap in hand to the International Monetary Fund to borrow \$3.9b (\$17.3b in 2018 prices). As Callaghan said the following year, "God has given Britain her best opportunity for one hundred years in the shape of North Sea oil."⁸ Getting oil out of the North Sea as quickly as possible would be a priority for the UK Government. Oil companies shared this objective but this would present technological and engineering challenges. It would not be in the interests of the oil companies to reveal details of risk assessments but they were keen to emphasise the dangers, difficulties and costs. The extent of the North Sea bonanza for the oil companies would only become clear in time. But in the early 1970s, the activity of oil companies was evidence that these companies saw the risk as worthwhile. Any knowledge that the oil companies possessed was not likely to be shared with the UK Government or local communities. Given the geopolitical implications of oil with massive multinational companies involved and energy becoming a key issue in global politics, the North Sea was also attracting the interest of the Federal Government in the United States. This was the context in which a small island authority with its various communities would have to contend.

For Shetlanders, however, other considerations were paramount. Oil development would involve massive disruption, challenge traditional ways of life, and potentially damage Shetland's existing fragile economy. In October 1972, the local paper complained, "It is almost pathetic that the Government, pinning its hopes on oil for the economic salvation of Scotland, seems to have left it to a relatively impoverished local authority to wrestle with the enormous infrastructural problems of the oil boom."⁹ There were inevitably different views in the islands covering the "whole spectrum from excitement to anxiety, while for those who did not wish to see Shetland changed in any way by the oil industry, there was still the comforting thought that so far no oil had been discovered off Shetland, or at least no finds had been announced. It was still possible to dream that the oil men would drill only dry wells."¹⁰ But others saw an opportunity to secure the islands future. Others still saw the opportunities in more individualistic terms. Shetland had hardly featured in Whitehall thinking prior to oil. Many years later, a senior Scottish Office civil servant recalled a meeting when a 'very senior official' at the Treasury opened discussion by asking where Shetland was and whether it consisted of one or two islands.¹¹ The archipelago's far

⁷ William Ross, "Landing of Offshore Oil Shetland," Note to Prime Minister from William Ross, Secretary of State for Scotland, April 11, 1974, National Archives, PREM 16/614,.

⁸ Christopher Harvie, *Fool's Gold* (London Hamish Hamilton 1994), 2.

⁹ *Shetland Times*, October 11, 1972.

¹⁰ Nicolson, *Shetland and Oil*, 69.

¹¹ Gavin McCrone, "The Development of North Sea Oil and Gas," held 11 December 1999, *Institute of Contemporary British History*, 2002, p.84.

northerly position meant that it appeared on maps of the UK in a box off the east coast of Scotland.¹²

On Christmas day 1971, Shetlanders watched the *Ocean Traveller* drilling rig anchoring outside Lerwick harbour, a visual symbol of impending change. The number of oil service vessel visits to Shetland soared from 79 in 1971 to 1809 by 1976. Sumburgh airport, in the South of Shetland, was witnessing more activity and there was the beginning of land speculation in the early 1970s.¹³ Oil's impact was also evident in the increased number of telephone connections and numbers of television licences acquired as well as house building: 106 new houses were completed in 1974, rising to 296 the following year and 471 in 1976. As Jonathan Wills, a Labour activist who would later become editor of the local newspaper, later remarked, the largest contracts that the Council had dealt with had been "valued in tens of thousands of pounds" and by the mid-1970s they were dealing with "hundreds of millions."¹⁴ The local council faced a number of challenges:

- aggregating and articulating divergent views in Shetland's communities;
- gaining formal legal powers to manage oil development;
- negotiating with UK Govt and oil companies, requiring expertise in highly technical complex engineering, economic and legal matters
- addressing the rapid economic and social changes that were occurring due to oil after 1971.

While oil developments would have an impact throughout the archipelago, some places would be more affected than others. Opportunities and threats existed unevenly and would require careful and sensitive responses.

The early 1970s saw intense debate in the islands. Each of its many communities considered the prospects and most were divided. Scalloway, base to the 'Shetland bus' Norwegian special operations during the second world war, was one example. It had the potential to become a major service base for oil rigs and Council officials addressed local meetings and a Scalloway Development Trust was set up with all shades of opinion represented. Efforts were made to offer information in various forms to the local community before a referendum was held which resulted in a narrow victory supporting development. However, it was decided to accommodate the views of opponents and the proposed development scheme was altered. This process of deliberation was also evident in other local communities. A local referendum was also held on Unst, part of which was represented by the Council Convener and where the community was divided. The local community of about 1,100 people, opposed compulsory land purchase but favoured development and accepted that it could incorporate between 250 and 500 people over a number of years.¹⁵ A petition signed by 95 of 96 households in Unst was sent to the UK Government setting out the view that the oil companies could use the piers but should install massive tanks on hills away

¹² Gavin McCrone quoted in Gillian Staerk, ed., *The Development of North Sea Oil and Gas* (London, Institute of Contemporary British History, 2002), 84.

¹³ J.M. Fenwick, "The Shetland Experience: a Local Authority Arms Itself for the Oil Invasion," *Scottish Government Yearbook 1978*, 33-50, 34.

¹⁴ Jonathan Wills, *A Place in the Sun: Shetland and Oil – Myths and Realities* (St Johns, Newfoundland: Institute of Economic and Social Research, 1991), 14.

¹⁵ Nicolson, *Shetland and Oil*, 82-84.

from the villages. They also wanted assurances that any land bought by compulsory order that proved unnecessary should be offered for sale back to the previous owner. There was also a desire to have a lengthier period for consultation.¹⁶

In September 1973, the Council agreed a policy:

This County Council, recognising that it may be in the national interest that Shetland be used for oil installations, and having sought to devise policies and to provide machinery which recognise the national interest while protecting those of the Shetland Community, will continue to have regard for the national interest but will give no encouragement to developments and will oppose proposals where these developments or proposals put Shetland at unnecessary risk or fail to provide available safeguards and will at no time put commercial or industrial interests before those of the Shetland Community.¹⁷

In October 1973, public meetings were held in the villages nearest Sullom Voe, which was increasingly seen as the most likely sight of a major oil development. Almost half the villagers turned out. Comments were invited and received amounting to many pages of about an inch in thickness. Much of the discussion focused on whether a new town should be created or whether an existing village should be extended. An iterative process developed of consultation, deliberation and revised plans eventually leading to the Sullom Voe District Plan in June 1974 which was approved by the Council in September. It envisaged the biggest oil port in Europe housing up to 1000 incoming families. The Council took pride in the process regarding it as an example of successful public engagement.¹⁸ Brae, for example, grew substantially as the terminal developed but the local community was largely united and a community association was formed to negotiate with the Council and developers. A local referendum resulted in near unanimity in favour of development.¹⁹ Oil had stimulated community activity and forged new associations.

There was considerable potential for divide-and-rule in the community by oil companies and there were individuals and communities tempted by lucrative side deals. There were also legitimate concerns. Fishing interests were concerned that oil developments would undermine the local fishing industry. Oil spillage, drilling and fleets of oil vessels were feared as likely to damage the industry. There was a sharp fall in fish prices in 1973/74 adding to the industry's precariousness. Unemployment levels were relatively low (2.2% in 1974) but so too were incomes adding to concerns that traditional industries would struggle to compete with the lure of work in 'black gold'. The limited pool of local labour meant that existing industries would be drained of labour and there would be an influx of large numbers of workers to service the oil industry. By the end of 1972 when five oil fields had been discovered, it was estimated that there would need to be about 1,000 extra people brought to Shetland.²⁰ A paper prepared for the council in 1973 warned that when oil developments waned the "isolation of Shetland will make it difficult to find alternative employment for the redundant workers and the resulting depopulation will have serious

¹⁶ Ibid, 90.

¹⁷ Quoted in Staerk, *The Development of North Sea Oil and Gas*, 95.

¹⁸ Fenwick, "The Shetland Experience," 43.

¹⁹ Nicolson, *Shetland and Oil*, 82-84.

²⁰ Nicolson, *Shetland and Oil*, 79.

psychological as well as more direct economic repercussions.” It identified related challenges:

[A]ll of the labour must be imported to the Islands and that in a short time creates further problems which will demand immediate solution. Schools, hospitals, social services, shopping facilities will be required with the earliest influx of population. The incoming workers will have pastimes which are dissimilar to the traditional Shetland pastimes. It is likely that their demands will be more sophisticated and will require capital expenditure of some magnitude. These facilities will take time to provide and their construction will be made the more difficult by the other demands on building labour.²¹

There were also concerns that oil workers would bring trouble – drugs, vandalism, theft, and prostitution.²²

A Council meeting in December 1973 approved a ten point plan aimed at responding to local concerns about compulsory purchase. This included a commitment to consult fully before any action was taken by the Council; that good agricultural land would be conserved wherever possible; and that accommodation would be provided in areas of choice where tenants had to be rehoused.

Capacity building

Shetland’s southerly archipelago neighbour Orkney had been engaged in similar endeavours. Information gathered by Orkney Council was shared with Jo Grimond MP. In September 1973, senior Orkney officials visited Pembrokeshire County Council and the Amoco Tanker Terminal and Refinery at Milford Haven. The report back to the Council identified key lessons:

1. Harbour powers are essential to exercise strict control over present and future developments to ensure that these are in line with the council’s policy.
2. While some oil companies are better than others there are no “good” oil companies and verbal assurances should not be given too much credence. This also includes expert advice submitted by oil companies to persuade a Planning Authority that their proposals with regard to any particular development are the only practical proposals. In this respect an Authority should –
 - (a) insist that any undertakings given by oil companies are reduced to formal writing, and
 - (b) seek their own expert advice
3. In the initial stages of negotiations a Local Authority should extract from any oil company the maximum benefit possible.

²¹ *Zetland County Council Bill – Peculiarities of Shetland*, Lerwick, May 28, 1973, Grimond papers, National Library of Scotland, Dep.363, Box 16(2).

²² Nicolson, *Shetland and Oil*, 79.

4. A Local Authority should ensure that ant pollution measures remain the responsibility of individual oil companies and obtain written agreement on this matter.
5. A Local Authority should ensure that at the end of development there should be reinstatement of the land involved with the exception of those buildings and installations which will be of permanent use to the Authority.
6. Properly controlled oil related development is beneficial to a community but such development creates a chain reaction and steps must be taken to ensure that such a reaction does not adversely affect the local economy...²³

This advice would be key to how Orkney and Shetland engaged with the oil industry. A related lesson was to ensure that only one terminal, determined by the council, would be developed and not a series of smaller terminals for each oil company. There was no desire to see what one MP would refer to as the “proliferation of harbour facilities” as at Milford Haven in Wales.²⁴

Shetland had been one of the few local authorities in the UK without a development plan before oil was discovered. The Council needed planners as well as other relevant staff. Ian Clark was the Shetland Council’s Treasurer and later chief executive and played a key leadership role identifying oil’s potential benefits for the islands.²⁵ In 1975, US Consul in Edinburgh Richard Funkhouser described Clark as a ‘tyrant’ in a telegram to the US State Department. Funkhouser referred to Clark having “hornswaggled some of the biggest multinationals and most sophisticated leaders in Britain out of terms for the development of Sullom Voe which would make Scottish nationalists pale with envy.” The Council, the US diplomat maintained in this private message released under Freedom of Information, “had forced the majors into giving them a highly profitable partnership for which they had put up no funds and over which they won significant control, 'the bigger they are, etc.'”²⁶

A key appointment was that of John Manson, a Shetlander who had worked in the oil industry as a consultant early in 1972.²⁷ At different stages, various bodies were consulted including Parliamentary Agents required for private bill legislation to give the Council the powers it needed, merchant bankers as well as engineers and oil industry specialists who could advise on what was involved in surveying deepwater anchorages, others who specialised in underground storage of oil and gas. It recognised that the highly specialist technical knowledge was required though not necessarily because it would be directly engaged in this activity but to understand oil, gas and related industries.

The various interests in oil and gas exploration possessed vastly different levels of experience, information and expertise. The lack of a level playing field in negotiations placed the local communities and the Council at a significant disadvantage. Councillors and council

²³ *Report by County Clerk and General Manager on visit to Pembrokeshire*, September 17-18, 1973, Grimond Papers, National Library of Scotland, Dep363 Box 16.

²⁴ Norman Lamont, Hansard, House of Commons, April 30, 1973, vol.855, col.883.

²⁵ Iain Noble, “The Development of North Sea Oil and Gas,” held 11 December 1999, *Institute of Contemporary British History*, 2002, p.79.

²⁶ “Oil Notes from All Over,” June 30, 1975, Edinburgh to London, Document Number: 1975 EDINBU00150, Department of State Telegrams, The National Archives and Records Administration (NARA), Access to Archival Databases (AAD), Electronic Telegrams, 1975, Central Foreign Policy Files, created 7/1/1973 - 12/31/1979.

²⁷ Edward Thomason, *Island Challenge* (Lerwick, Shetland: The Shetland Times Ltd, 1997) 53-54.

officials attended many conferences and seminars as well as visits to comparable developments. Consultants were employed and information gathered in an effort to rebalance this asymmetry. In late 1971, Lerwick Town Council, representing a population of about 6,000 people, sent a delegation to learn from the local community's experience in Bantry Bay Gulf Oil complex in County Cork, Ireland. In late 1972, at its annual general meeting the Shetland Civic Society proposed a conference on oil and urged the UK Government to restrict oil developments until a full investigation had been conducted. It was subsequently suggested that the County Council used the two years from the middle of 1972 to "buy its ticket to the dance" by preparing to ensure the islands did not lose out.²⁸ The community would require new expertise and shrewd leadership. It could not rely on the wholehearted support of the UK Government given divergent interests on the speed of oil extraction.

However, even with new staff, the Council simply was not legally empowered to negotiate with oil companies on many aspects of development to negotiate with the multinational extraction industry. It required new powers and increased capacity which it pursued through special Parliamentary procedures at Westminster. An early effort was made to identify new powers that would be required to ensure developments were planned to Shetland's advantage by the Council.

Sullom Voe and the Zetland County Council Act

The Council started to prepare to take advantage of new powers it hoped to gain from central government before they were granted. It took advice from the National Ports Council on how it might operate as a harbour authority and appointed a Ports and Harbour Committee. It sought advice from the Department of Trade and Industry on powers governing control of piloting and engaged with firms that would be required for towing purposes. It also contacted Shell to identify the oil companies needs in the event that the legislation was passed. Consultants advised on planning and development. The Council took the view that these preparations could not await passage of legislation permitted to act. Much of this was done in a short period of time and much was done with less consultation than would be expected a generation later. Much of the information gathered was sensitive though doubtless much was treated as confidential which might have been made public. This contributed to concerns that the Council was being secretive.

It was soon clear that an oil and gas terminal would be required on Shetland. The Council opposed each of the oil companies having its own terminal, having learned this from experience elsewhere, and proposed instead a single terminal where oil and gas would be piped ashore then transported by tanker to be refined. One oil company, Total Oil Marine Ltd had already bought up land and was particularly unhappy with this decision. A confidential report to the Council by the County Development Manager identified Sullom Voe, an inlet in the north of Shetland's mainland, as the best site. The report noted which land would have to be acquired.²⁹ This focus on Sullom Voe was confirmed in July 1972 by a consultancy which found it to be the best natural harbour in the islands for an oil terminal. The consultancy referred to the area as 'Nordport', an invented Shetland-sounding name. In

²⁸ Fenwick, "The Shetland Experience," 35.

²⁹ Michael Stansbury, "Confidential Report on Land for Major Oil Development," County Development Officer, April 6, 1972, Shetland Archives, CO7194/1-2.

August, the Council's Development Office produced the first Shetland Interim Plan which sought to ensure that developments would occur in an orderly manner and avoid a free-for-all.

In November 1972, the County Council agreed by 23 votes to 5 with 2 abstentions to promote a Provisional Order in Parliament to give it the necessary powers to implement its emerging plans to acquire land for development; exercise harbour jurisdiction and powers in areas likely to be developed; licence construction works in these areas. There were two different means by which this might be achieved – a Provisional Order or a Private Bill. In March 1973, Parliamentary authorities ruled that the proposals would require the County Council to promote a Private Bill, a more complex, costly and time-consuming process than a Provisional Order. This process required the services of specialist Parliamentary agents. Private Bill procedure allows for legislation that applies to either individuals, groups, communities or corporate entities but would not be generally applicable.³⁰ So long as no Member of Parliament objected, the procedure could avoid normal Parliamentary procedure but Tam Dalyell, MP for West Lothian in central Scotland, objected in order to force a debate in Parliament even though he was not opposed to the Bill. It was still subject to a public enquiry by an extra-parliamentary panel meeting in Scotland.

Some businessmen set up a private company, adopting the very name that the consultants had proposed for the Sullom Voe area identified for oil development. Nordport Ltd, adopting the name invented by the consultants to the Council, already had options for 40,000 acres of land for oil development and had some support amongst councillors and in some communities. Chris Baur, a financial journalist on the *Scotsman*, the Edinburgh based newspaper, researched the company and discovered that behind the local front of Shetland businessmen was a complex web of companies leading to Edinburgh merchant bankers.³¹ This further convinced the Council that it needed to prevent unplanned development. In February 1973, the Council rejected an application from Nordport Ltd for planning permission to develop Sullom Voe as an oil terminal. The Council maintained that Nordport Ltd's proposals contravened its planning policy, the application was premature as the Council was still studying different places for oil development and that there was insufficient detail in what had been submitted. But this was not the final battle with Nordport Ltd.

The Council had a tradition of non-party politics but these developments provoked the establishment of a pro-Nordport Ltd grouping on the Council calling itself the Shetland Democratic Group with seven councillors. These councillors were led by a local Church of Scotland Minister with links to the Conservative Party. It criticised the Council for its secrecy and argued that all major decisions should be made by the full council rather than in committee but this was defeated by 14 votes to 8. The Council's Convener (the Scottish term for chairperson) at the time took much of the flak and would go down to defeat at the local elections in 1973. The intense nature of debate was evident in the turnout in the local

³⁰ The UK Private Legislation Procedure (Scotland) Act, 1936 allows for petitions for private legislation to be considered so long as there is no opposition in Parliament. This resulted in an inquiry held in Scotland which made a recommendation to the UK Government. The Government then decided on whether to support an Order in Parliament. With Parliamentary support, this leads to the passage of private legislation without the same Parliamentary stages that would be involved in public legislation.

³¹ Wills, *A Place in the Sun*, 19.

elections: 82% of electors voted in the Council Convener's ward,³² much higher than occurred in a Westminster general election not to mention what normally occurred in a local election. The 1973 local elections saw the election of ten Shetland Democratic Group members on a Council of 30. The local managing director of Northport Ltd was elected to the Council but within a year he stood down from Northport Ltd. The Council elected a new Convener and Vice Convener who carried on the policy of their predecessors. The Shetland Democratic Group accepted the result and after some concessions progress was made without as much acrimony as previously.

Jo Grimond, local MP, assisted in the process of empowering the council though even he, with over twenty years Parliament experience, had to be guided through the intricacies of the Private Bill procedure. In introducing the legislation in the Commons, Grimond outlined the impact on the local communities and summed up the legislation's purpose as seeking to "achieve orderly planning."³³ Grimond, local councillors and council officials had consulted widely across Shetland and the local newspaper had played an important role in giving coverage to the various views expressed at meetings. But opposition and the sense that the local communities most affected were not sufficiently consulted was not allayed. Grimond acknowledged that the Bill "aroused understandable anxiety" in Shetland.³⁴ Some councillors took the view that Shetland should oppose oil development though the general view was that this could not be avoided as the UK Government desperately needed the oil. Those individuals and communities most likely to be affected were in places where the Council sought powers to buy land by compulsory order. The local Conservative candidate for the general election warned that if there was no right of appeal against compulsory purchase then individual Shetlanders would be left 'defenceless'.

While debate had raged in Shetland, the Government decided to back at least some of the proposals in the Private Bill. It supported the Council becoming the planning and harbour authority but had reservations about the Council having a share in the profits of oil developers. In late March 1973, the Council estimated that it would cost £3.5m to buy the land needed for development and argued that this needed to come from a share in oil developments. There was also a view in Government that Ministers ought to have a supervisory role and not allow the Council complete autonomy in its proposed new powers. This view was shared across the two main parties – Conservative and Labour – at Westminster.³⁵ Landowners likely to be affected were informed that there was a prospect of their land being compulsorily purchased creating opposition and tensions in the communities affected. Some of the local councillors preferred a more open market approach or 'free for all' as supporters of Council intervention expressed it. Edward Thomason, then Council Convener (leader), later conceded that "public relations could have been better handled."³⁶

The local Labour Party had its concerns, as described by Jonathan Wills, Labour's candidate in both 1974 general elections. The party locally wanted to restrict the development of oil. Wills recounted a visit from a group of Labour MPs including Dickson Mabon who would

³² Thomason, *Island Challenge*, 73.

³³ Jo Grimond, MP, Speech moving second reading of Zetland County Council Bill, Hansard, House of Commons, April 30, 1973, vol.855, col.862.

³⁴ Jo Grimond, MP, Hansard, House of Commons, April 30, 1973, vol.863.

³⁵ "Land Developers Face Curbs in Shetland," *Glasgow Herald*, April 2, 1973.

³⁶ Thomason, *Island Challenge*, 71-72.

become Minister of State for Energy in 1976. Wills had taken the group to Sullom Voe, while it was still a “calm backwater, beautiful to me and others for its birds and scenery” only to hear Mabon refer to the place as a “splendid site for a major petro-chemical complex.”³⁷ The prospect of a petro-chemical complex in Shetland was anathema to most Shetlanders and the prospect of this was bound to provoke opposition. Wills himself was one of the islanders whose concerns focused on the potential environmental damage and found himself in disagreement with colleagues and friends which he explained was partly generational. Some older Shetlanders who had experienced harsh economic times viewed concern for the environment as relatively unimportant.³⁸ The threat to the environment led to the establishment of an environmental impact assessment produced by the Sullom Voe Environmental Advisory Group (SVEAG) set up in 1974 by the Council and oil industry. There were concerns that SVEAG was secretive and that its membership was skewed towards the interests of oil development but some concessions to these concerns were necessary.³⁹

Despite some local Shetland Tory opposition, a Scottish Office Minister expressed the Conservative Government’s support for the Bill and told the Commons that civil servants had offered the Council help. He acknowledged that what was proposed were “unusual powers, but they are being sought in order to deal with a very unusual situation in a very special part of Britain with peculiar local characteristics.”⁴⁰ The change of Government in February 1974 did not alter matters. A report to the Treasury from the new Secretary of State for Scotland outlined thinking in March:

The Secretary of State considers that the Bill in its present form is desirable and necessary to deal with the situation arising in Shetland because of the discovery of oil in the Northern North Sea. The powers it gives to the County Council are necessary for the following reasons:

- (a) The geographical nature of the coastline with a number of natural harbours makes close control and co-ordination of harbour development of great importance.
- (b) The oil discoveries in the East Shetland Basin will have to be exploited by the construction of substantial oil storage and terminal works in Shetland within a limited timescale.
- (c) These developments must be closely co-ordinated and carried out with minimum disturbance to the environment.
- (d) The existing economy of Shetland is finely balanced and peculiarly delicate control of new development will be required to ensure its integration without economic damage.⁴¹

But this public statement did not reflect internal Whitehall concerns. In March 1974, the Scottish Office brought “a potentially awkward situation” to the attention of the Treasury. The Council in Shetland was proposing that oil companies make a substantial payment to

³⁷ Wills, *A Place in the Sun*, 26.

³⁸ Nicolson, *Shetland and Oil*, 81.

³⁹ Wills, *A Place in the Sun*, 45.

⁴⁰ George Younger, MP, Hansard, House of Commons, April 30, 1973, vol.855, col.893.

⁴¹ J.B. Fleming, “Report of the Secretary of State for Scotland on the Zetland County Council Bill,” Scottish Office, March 19, 1974, *National Archives*, T341/622.

the local authority “by way of a ‘throughput charge’ based on either the quantity or the value of oil passing.”⁴² Even with the new powers granted in the Zetland County Council Bill – at that stage still awaiting formal enactment – the Council would not have the power to require a payment. Instead, the Council had the power to “receive it if it is voluntarily paid as a gift by the companies.” The Government had no way of preventing such gifts nor controlling how it could be spent and this money would not affect entitlement to central grant in paying for local services.⁴³ There were implications for central government:

- (a) the effect on the Government’s own ‘take’ in terms of royalty and tax.
- (b) the precedent it could set for other areas.
- (c) its effect on the political arguments about the hypothecation of oil revenues for Scotland.⁴⁴

Central government had no powers to prevent oil companies paying the council but “it might be possible to persuade the oil companies concerned to take a tougher line than they appeared to be likely to do at present” though this might create “both political and administrative problems.”⁴⁵ The Council would complain that Westminster was preventing the islands from getting proper recompense for disturbance caused by oil and this would, as the official noted, be supported by both the Scottish National Party and Liberal Party. It would also likely lead the Council to adopt a “non-co-operative attitude to planning applications from the oil companies” leading to complications and a drawn out planning process with an impact on oil production.⁴⁶

Cabinet Ministers did not like the way the Council was operating. Ted Short, a senior Cabinet Minister agreed with Secretary of State for Scotland Willie Ross and the Paymaster General in objecting to the way the Council was operating. Short deplored the “way in which the County Council have gone about seeking such payments” but acknowledged the “political implications in Scotland of appearing to wield the big stick on behalf of wealthy oil companies and against a small and hardly prosperous county council” noting particularly the likely reaction of local MP Jo Grimond and the SNP. His view was that “our approach should be to try to get the political credit for helping to bring about a reasonable settlement; and thereby to demonstrate to the County Council that there are better ways of securing their objectives (to the extent that they are reasonable) than the very dubious one they have chosen.”⁴⁷

Concerns were also articulated in the second reading debate by a number of Labour MPs in Parliament reflecting a paternalist attitude. One referred to the “simple gentle people” who would be outwitted by “land-grabbing Mafia of Edinburgh and Texas.”⁴⁸ Another questioned whether the Council had the expertise to become a harbour authority and whether the Government would support other authorities seeking similar powers.⁴⁹ This attitude may

⁴² Gavin McCrone, Letter to R.L. Workman, Treasury with background paper, “North Sea Oil – Pipeline Terminals in Shetland,” Scottish Office, March 25, 1974, National Archives T341/622.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ted Short, Letter to Willie Ross from Lord President of Council, April 26, 1974, National Archives, T341/622.

⁴⁸ William Hamilton, MP, Hansard, House of Commons, March 30, YYYY, vol.853, col.1760.

⁴⁹ Tam Dalyell, MP, Hansard, House of Commons, March, 30, YYYY, vol.853, col.866, 887.

have worked to the islands' advantage in the tendency of oil companies and the UK Government to underestimate Shetland's leadership. The only MP to have been born in Shetland was Norman Lamont, who would become Chancellor of the Exchequer in 1990, and represented Kingston-upon-Thames in the Commons. Lamont viewed the arrival of oil and oil companies with "considerable trepidation" but he welcomed the Bill because it would enable the Council to "come to terms with considerable problems" that "will descend upon Shetland." He raised a concern frequently mentioned in discussions in Shetland, the prospect of an oil spill.⁵⁰

A report on *Shetland's oil era* produced by Shetland Islands Council in 1978 reflected on the experience and noted the 'stormy passage' of the legislation through Parliament.⁵¹ Thirteen petitions were lodged against the Bill including from Nordport Ltd who argued that Sullom Voe would be adversely affected by the Council having control and that it was unprecedented for a Council to have such powers which exceeded those of any other councils. Nordport Ltd also objected that there was no right of appeal to any supervisory authority.⁵² Total Oil Marine Ltd also objected and was the only oil company to have acquired land (at Scatsta Ness for a marine terminal). Total objected to the Council having a monopoly over construction works in a widely defined coastal area which might incorporate much of Shetland. Local residents, overlooking Sullom Voe, objected and suggested that greater benefits would accrue to the local community if development was in private hands with necessary resources to ensure development occurred. Shetland Fishermen's Association objected as did Young's Seafoods Ltd plus a number of local individuals. Only one supporting petition was lodged. The Shetland Civic Society argued that the Council was best able to extract maximum community benefit with minimum disruption.

The objections were heard in Edinburgh beginning in June 1973 before a Select Committee consisting of two Labour and two Conservative MPs. Many of the objections made by local Shetlanders were addressed effectively by the Council with reassurances and minor amendments. Nordport Ltd proved the main objector. They argued that they were more competent than the Council, that the powers exceeded those of any other council, and that the compulsory purchase powers would be used in an unsatisfactory way. The Select Committee deliberated over 18 days and included a visit to Shetland. The MPs split along party lines with the two Labour MPs supporting compulsory purchase powers while the Conservatives opposed with the Conservative Chair having a casting vote against. The Council challenged this and the Convener and senior official were allowed to address a meeting of Conservative MPs. By this stage, the discoveries of oil were such that it was clear that the impact on Shetland was set to be far greater than anticipated only a couple of years before. Compromises were found notably in convincing Parliamentarians that the powers would be limited in their use. By the time the Select Committee in the Lords was considering the measure, there were few outstanding disputes. Nordport Ltd withdrew its objections. But it had been a long battle.

The Council suffered a setback at Committee stage when the committee ruled against the Council's proposals for compulsory purchase. This led to a period of intense lobbying to have this decision reversed. The danger of development being held up due to this dispute

⁵⁰ Lamont, Hansard, April 30, 1973.

⁵¹ Shetland Islands Council, *Shetland's Oil Era*, vol.1 (Lerwick: Research and Development of Shetland Islands Council, 1978) 15.

⁵² *Glasgow Herald*, March 28, 1973.

proved advantageous to the Council. War in the Middle East resulting in oil shortages increased pressure to get oil ashore without delay. A consultant's report made it clear that the areas to be affected by development would be limited helping to remove fears that the Council intended development throughout the islands with mass compulsory purchase of properties. By November 1973, the Bill was ready to return to the Commons and make its way through the House of Lords. The second reading was held in the Lords in January 1974 by which time the only objector was Nordport Ltd.⁵³

But Parliament was dissolved on February 8th when an election was called by Prime Minister Heath. Heath had felt compelled to call an election in large measure due to the energy crisis and miners' strike. The election meant that the Bill would not be passed in time before dissolution. But unlike public bills, some categories of private bills can be carried forward into the next Parliament avoiding having to start the whole process afresh with the resultant costs and delays. The carry-over motion was passed on the day Parliament was dissolved allowing proceedings to be picked up where they were left off after the election. The Zetland County Council Act was finally given Royal Assent in April 1974. The legislation gave the Council considerable powers:

- as a harbour authority with jurisdiction to operate in Sullom Voe and other named ports;
- to issue licences to dredge and construct within three miles of coastal area;
- to invest in bodies corporate;
- to control development for conservation in the coastal area;
- to purchase land compulsorily;
- to construct, purchase or hire vessels to carry out these functions;
- to establish a reserve fund.

The last power would prove key in the continuing relations with the oil companies. Shetland's oil fund would provide the islands with a revenue source that would allow it to invest in local communities into the future.

Conclusion: Shetland's communities and the oil

Extractive industries will require to engage with some authoritative body where ever they seek to exploit natural resources. Their first question asked by oil companies was likely to have been who speaks for Shetland and its communities? The initial answer was confused. A variety of voices claimed to speak for Shetland. These included local communities, without necessarily having any official status, the local MP, various civic bodies, local government and central government. But alongside these were the myriad of local interests including the fishing and fish processing industries but also individuals and communities most likely to be directly affected by any development. The UK state also had an authoritative voice and one that the local council acknowledged but recognized would not necessarily act in Shetland's interests.

⁵³ Shetland Islands Council, *Shetland's Oil Era*, vol.1, 16.

The challenge is that even in a small archipelago such as Shetland, there will be a range of divergent interests and views on a development that would have a transformative impact. Who then speaks for these communities? In liberal democracies, the answer is that these divergences are aggregated, differences resolved and decisions are made by elected representative bodies. But this can and did create tensions which were evident in debates and votes on the local council. Just as the UK Government took the view that this development had significant state-wide implications and needed to be involved, so too did the local council seek to have involvement on behalf of the collective interest of the islands. The main battle in this respect took place in the early years and focused on the role of the Council and the extent to which and how more local interests should be accommodated.

Leaving decisions to elected representatives, even when elections are held regularly, would be inadequate with the need for continuous deliberation with local communities. The information asymmetries were stark: between the oil companies and government at all levels and between government and local communities. Shetland County Council was slow to appreciate the importance of deliberation but the experience of oil developments in the early 1970s would provide lessons. New formal community organisations were formed, debates were held at which various opinions and positions were debated. The key to the most successful community engagement appears to have been when there was transparency, deliberation, following a lengthy iterative process.

But the line dividing legitimate local community interests and individuals seeking a fast buck is unclear. Indeed, external interests were keen to take advantage of developments and to hide behind locals. This was evident in the case of Nordport Ltd. which sought to profit from a high profile development that attracted considerable external interest. Investigations and inputs from Members of Parliament representing constituencies well beyond Shetland played an important part in highlighting those seeking an easy profit. The *Scotsman* newspaper invested considerable staff time in covering oil developments and ensured that much light would be shed on developments that the local newspaper did not have the capacity to perform. The local paper played an important role in dissemination of information and as a forum for debate.

Time was a major factor especially as the oil companies and UK Government were keen to extract the oil as quickly as possible. The Council's need to build capacity would take time and the process of gaining the legislative powers required was a slow process. The need to engage meaningfully with local communities involved the provision of information and many meetings. This could not be done quickly.

In the final analysis, the asymmetries were never, nor could ever, have been removed. But the Council demonstrated an ability to take on identify its needs and pursue these with external assistance in a determined fashion.

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